

Kiera Bower
Ofgem
9 Millbank
London
SW1P 3GE

Tel: 0141 568 3259
Email: pamela.kelly@scottishpower.plc.uk

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Dear Kiera

Consultation on Prepayment Meter Regulations in accordance with paragraph 6A(4) of Schedule 2B of the Gas Act 1986 (as amended) and paragraph 12 of Schedule 7 of the Electricity Act 1989 (as amended).

ScottishPower Energy Retail Limited welcomes the opportunity to comment on the proposed new Prepayment Meter Regulations. This letter is the response from ScottishPower to Dave Barnes' letter of 22 May 06.

ScottishPower is proud to promote our holistic approach to tackling debt and disconnection for customers who have difficulty paying. We fully agree that these Regulations are a positive step in helping to tackle debt, by providing new ways in which suppliers can assist customers to manage their debt.

We appreciate Ofgem's objectives in developing these new Regulations, and support them. We also appreciate the flexibility for suppliers in adopting the policies allowed by the Regulations, in that suppliers can choose to offer whichever elements of the Regulations that they feel are appropriate for their customers.

With regard to consumer protection, ScottishPower believes that the Regulations as drafted will maintain the current level of protection that is offered to consumers. As Ofgem notes, both supplier and customer will be required to agree on the method of collection permitted before the payment can be collected under the new Regulations. Indeed, it could be argued that customers who 'won't pay' will be given additional protection by the Regulations, as a supplier who identifies a customer who 'won't pay' will not be able to reset the PPM to collect debt outstanding from a previous premises without the customer's permission. Given the inherent nature of this small but real customer group, this seems unlikely.

The customer's ability to pay must be taken into account when setting the repayment amount and establishing the Agreement. This is in line with current Licence conditions for 'can't pay' customers. However, it can again be argued that customers who 'won't pay' are actually given additional protection through this requirement, potentially making it more difficult for suppliers to collect an outstanding debt. We do, though, fully welcome this step in building on suppliers' powers to collect debt overall.

We agree that the Agreement required under the Regulations provides a good compromise, by allowing suppliers to maintain a dialogue with customers, followed by confirmation in writing. If suppliers were required to obtain the customer's signature on the agreement before proceeding, then this would constitute an administrative burden on suppliers that would lessen the value of the Regulations by potentially deterring suppliers from offering this sort of agreement.

ScottishPower remains unconvinced over the workability of the second option under the Electricity Regulations and has not yet decided whether to offer this option to customers. However, as with the Regulations on the whole, we are comfortable that the Regulations adequately allow suppliers to establish an agreement under this option, should they decide to do so.

As regards the monitoring of effectiveness of the Regulations, we appreciate that Ofgem must ensure that there is no potential consumer detriment arising from the new Regulations, but would request that any monitoring does not place significant additional administrative burdens on suppliers. To this end, we agree that bi-annual reporting is sufficient and that a standard reporting template would be welcome.

With regard to the content of the monitoring template, whilst we are not uncomfortable with some of the proposed reporting measures, we would like to meet with Ofgem following the close of this consultation, to discuss this in more detail. In particular, we would like to discuss the suggestion that suppliers ask a sample of customers for their views on the arrangements provided for under the Regulations. In order for this approach to be successful, we would need to look at sample quality and the administration of this measure and we are not sure that this would be as straightforward as it would appear. However, we would welcome the chance to discuss this further.

It is not clear if and how Ofgem intend to publish the information that they would collect under this monitoring programme and we would like further details on this. This could also form part of the proposed discussions on this subject.

I have noted specific comments on the drafting of the Regulations in the attached appendix to this letter. If you wish to discuss any aspect of this response, please do not hesitate to contact me.

Yours sincerely,

Pamela Kelly
Regulation and Commercial
ScottishPower Energy Retail

Appendix 1

The Gas (Prepayment Meter) Regulations 2006 (the Gas Regulations) The Electricity (Prepayment Meter) Regulations 2006 (the Electricity Regulations)

Regulation 2 – Interpretation

In the Electricity Regulations a definition of electricity supplier would be useful alongside that for a gas supplier, for clarity.

Regulation 4 – The Agreement

The aim of the agreement is to ensure that the customer or customers involved fully understand the repayment plan that they are entering in to, and the information required under regulation 4 more than adequately captures this. We are keen to see the agreement be in as flexible a format as possible, allowing suppliers to reasonably adapt this to the needs of individual customers.

We support Ofgem's guidance that the Agreement can take the form of a telephone conversation or similar dialogue with the customer that is then confirmed to the customer in writing.

While it is appreciated that Ofgem considers that suppliers can have more than one person named on the Agreement, we do not believe that the Regulations reflect this. For clarity, we would like to see a definition of 'customer' within the Regulations that accommodates more than one person named on an Agreement.

We agree that the information specified in regulation 4(3) is sensible information that should be provided to the customer prior to entering in to an agreement, however, we do not think that the Regulations should specify how this should be given to the customer, orally or otherwise. Suppliers may prefer to provide a leaflet or policy statement for customers, setting out this information, prior to entering in to an Agreement. As the Regulations are currently drafted, this would not be a valid means of information provision. This should give suppliers the flexibility to provide this information to customers in the best means that they determine for their customers.

Regulation 6 (Electricity only) – Collection for on-going gas consumption

We continue to believe that this regulation should not specify the basis on which the supplier will collect meter readings for ongoing consumption. Instead this should be redrafted to reflect the existing meter reading policy for that customer's payment package.